

Comparative Income Tax Rates

AN interesting comparison of the effective rates of income tax imposed by Great Britain, United States and Canada is given in the October issue of "Commerce Monthly," issued by the National Bank of Commerce, New York. The chart illustrating the rates effective for 1918 in the United States and Canada, and for 1918-19 in Great Britain, is reproduced herewith. It is adapted from a report of the British Royal Commission on the income tax, and indicates the percentage of total income to which the tax on an unmarried individual with a given income amounted.

Discussing this comparison, "Commerce Monthly" says:—

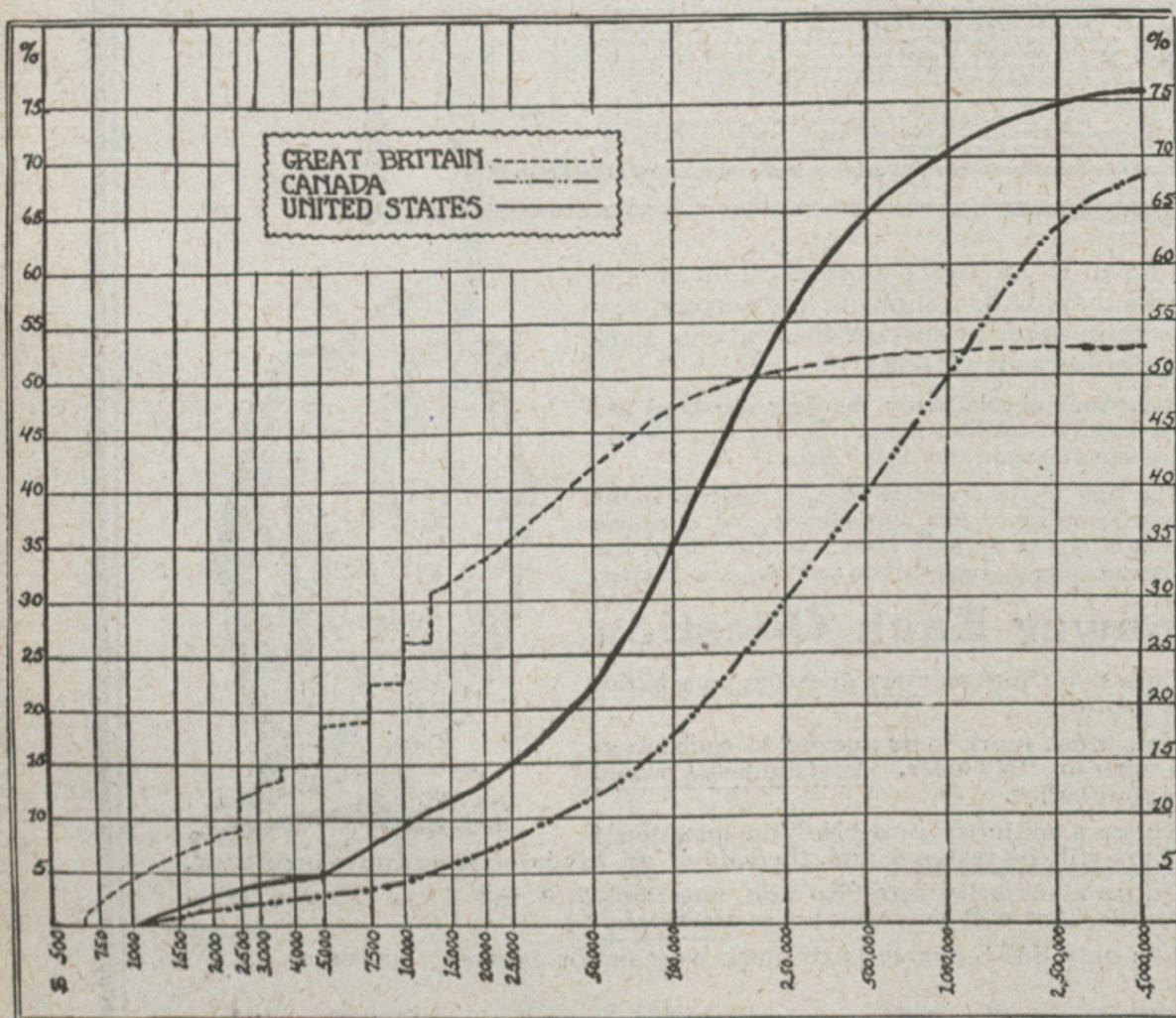
"The contrast between the British and American income taxes is striking. Not only does the British tax become effective on much smaller incomes—at \$650 in place of \$1,000—but the standard rate, corresponding to our normal tax, is 30 per cent. The peculiar step-like progression evident in the British tax results from the graduation downward of this standard rate in the case of

incomes amounting to less than \$12,500. The American super-tax, which becomes effective on income in excess of \$5,000, is graduated to a maximum rate of 65 per cent. on income in excess of \$1,000,000. The British super-tax, on the other hand, becomes effective at \$10,000 and reaches its maximum at 22½ per cent. of income in excess of \$50,000. Consequently, for incomes below approximately \$180,000, the percentage of tax to income is decidedly higher in Great Britain than in the United States, while the American tax is much more stringent than the British in the case of very large incomes.

"The Canadian income tax is more nearly like that of the United States than like that of Great Britain. The personal exemption is the same as in this country. The normal tax rate is four per cent. Super-taxes commence with income in excess of \$6,000 and rise to a maximum rate of 50 per cent. of income in excess of \$1,000,000. A unique feature of the Canadian income tax is the imposition of sur-

taxes in addition to the regular normal and super-taxes. These surtaxes are percentages of the total normal and super-taxes, graduated on the basis of the total income of the taxable person.

"Referring to the diagram, it should be noted that, in order to include a wide range of incomes within a reasonable compass, the divisions representing incomes are indicated on a logarithmic scale. This arrangement diminishes the spaces between the larger incomes, and its effect is to increase the steepness of the curves representing tax percentages. It does not, however, affect the validity of the comparison between the taxes imposed by the several countries."



RECIPROCITY NO LONGER OPEN TO CANADA

On October 9th the United States Congress repealed the Canadian Reciprocity Act, which had been passed in 1910, but had never come into operation. The reasons why the act was repealed were stated as follows:—

"First: Because the process by which it was prepared and enacted was unconstitutional. The president's power to negotiate with foreign governments exists nowhere outside of the treaty-making power and the treaty-making power does not extend to revenue measures. The action of Presi-

dent Taft was an encroachment on the constitutional prerogatives of the House to originate revenue legislation.

"Second: It violates the principles of uniformity in tariff legislation. It proposed to give Canada privileges denied to other countries. Such action carried to its legitimate conclusion with other countries would tend toward commercial wars, and perhaps even to wars by force of arms.

"Third: Even if it should be justified on other grounds, it was a terribly poor bargain which, had it gone into effect, would have injuriously affected the agricultural interests of our country."